

PRIME LONDON MARKET MONTHLY BRIEFING



Prime London sales values slip back while transactions remain broadly unchanged.

Supply and demand begin to balance in the lettings market as rental growth stabilises.

Analysis of the prime London housing market

1 February to 29 February 2024



Sales still thawing but spring has sprung for lettings

The prime London sales market recorded both price and transaction falls in February. In lettings, rental growth increased slightly and activity levels improved, although they remain low in a longer-term context.



Slight value slump

Average achieved sold prices fell by 7.8% in February on an annual basis, taking values back to early 2014 levels and 3.2% below the 2017-2019 (pre-pandemic) average.



An active market

Transactions in February were slightly lower than a year ago, by 2.7% but, in general, activity is holding up relatively better than values. There were only 0.3% fewer sales in February than the 2017-2019 (pre-pandemic) February average. The number of properties going under offer slipped slightly after a strong start to the year, with 7.6% fewer in February than a year earlier.



Instructions on the rise

New instructions in February rose by 1.0% on an annual basis which is more than 20% higher than the 2017-2019 (pre-pandemic) average. Combined with lower transaction levels the stock of homes for sale is rising. At the end of February there were 7.5% more properties available than a year earlier.



Top end market leads the way

The top end of the market is still the best performing sales market sector, with £5m+ activity well above long-term trend levels. Sales in February were 4.2% higher than a year earlier and 25% ahead of the 2017-2019 (pre-pandemic) February average. New instructions in this market rose by 8.4% annually. However, there is a growing volume of available homes for sale in this market, with 26% more £5m+ properties for sale at the end of February than a year ago.



Rental market green shoots

Annual rental growth across prime London rose slightly in February, to 3.4%, taking values to 26.7% above their 2017-2019 (pre-pandemic) average.



Lettings activity buzz

LonRes data for February indicated an annual increase of 14.2% in lets agreed and a 17.6% increase in new instructions, with activity on both measures remaining well below pre-pandemic levels.

Monthly prime data

(1 February to 29 February 2024)

Monthly Prime Data – February

	Prime Sales Annual Change	Prime Sales Change vs. 2017-19*	Prime Lettings Annual Change	Prime Lettings Change vs. 2017-19
Achieved prices/rents	-7.8%	-3.2%	3.4%	26.7%
Properties sold/let	-2.7%	-0.3%	14.2%	-48.7%
New Instructions	1.0%	21.1%	17.6%	-42.0%

(Note: all price and rent figures based on £ per sq. ft. values) | Source: LonRes

New instructions up but values and transactions remain subdued

While new instructions were up in February, sales values and activity slipped back. Fall-throughs and withdrawals remain low, but the number of price reductions is growing. In a longer-term context, activity is in-line or slightly ahead of pre-pandemic levels.

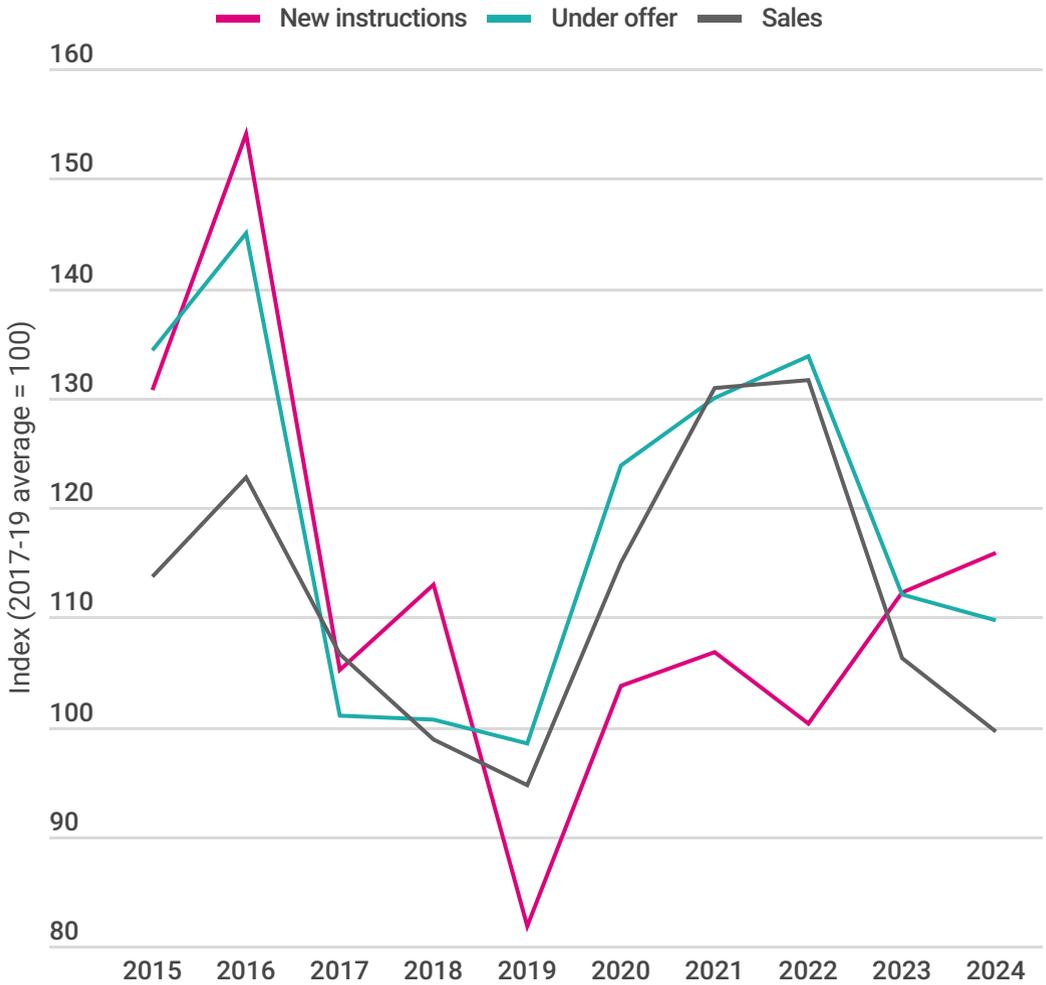
Transaction volumes in February were 2.7% lower than a year earlier, 0.3% below the 2017-2019 February average. Under offer numbers had been looking more positive but in February they fell by 7.6% on an annual basis, indicating sales activity may remain low in the short term.

Values, based on average achieved £ per sq ft figures, fell by 7.8% on an annual basis, leaving them 1.1% below where they were 10 years ago.

While demand appears down, the number of new sales instructions in February was 1.0% up on a year earlier and 21.1% above the 2017-2019 February average. Growing supply and static demand, mean that the stock of homes available to buy across prime London is steadily increasing. At the end of February there were 7.5% more properties for sale than a year earlier, and 25.9% more than at the end of February 2020 – the last month before the pandemic impacted the market.

The longer-term context is that activity in the first two months of the year so far is broadly in line with trends seen in the same months both pre-pandemic and in 2023, but activity has fallen back from levels seen in 2021 and 2022. Relative to 2017-2019 average levels, under offer numbers are around 10% higher over the year to date, while actual transaction volumes are broadly level. Supply, based on new sales instructions, has risen more quickly but the available stock for sale is only increasing gradually – the market remains relatively balanced.

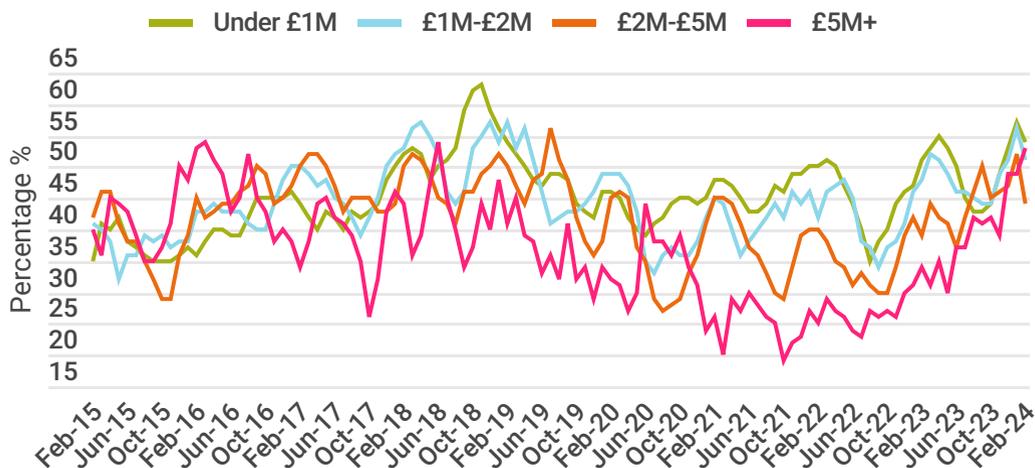
Jan-Feb Activity Measures by Year, all Prime London, Indexed



Source: LonRes

Price reductions, discounts, and time to sell are telling indicators of the strength of the market. The latest data suggests some weakening compared to 2021 and 2022, but most metrics are broadly in line with longer-term trends. From 2017-2019, 48% of properties had their asking price reduced prior to being sold. This fell to 41% in 2021 and 2022, with the £5m+ price band lower than this overall average figure. Since the start of 2023 a larger proportion of £5m+ properties are seeing reductions, pushing up the overall average again - to around 50%.

Proportion of Properties Reduced Prior to Sale, by Price Band



Source: LonRes

In February, sold properties across prime London achieved, on average, 91.4% of their asking price. This is an improvement on January where the figure dipped below 90% for the first time since early 2019.

Average discounts between 2017-2019 were around 10% so the current level is very much in line with that. Similarly, average time on the market has remained consistent over the past several years. In February the average time from listing to exchange was 166 days across all prime London, compared to 164 days in February last year and 165 days pre-pandemic (2017-2019).

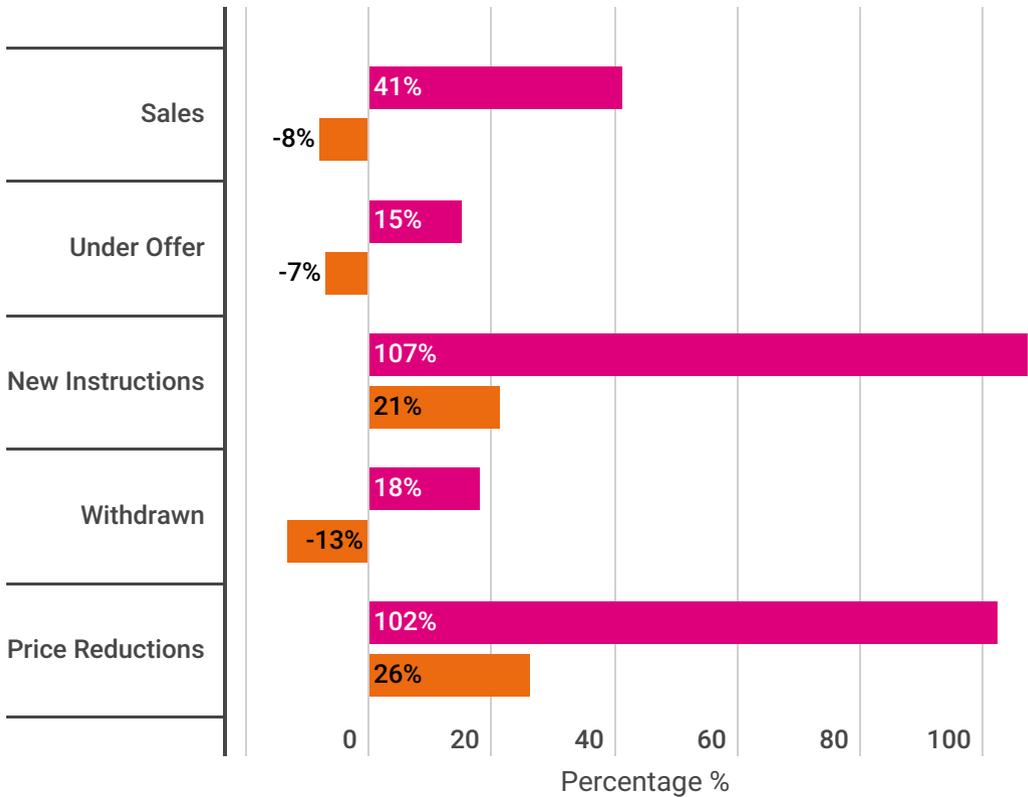
Top end remains the leading sector of the sales market

Sales of £5m+ homes in February were up 4.2% on the same month a year earlier, and 25% above the pre-pandemic (2017-2019) February average. The number of properties going under offer was 11.5% lower than February 2023, with new £5m+ sales instructions up 8.4% over the same period. This suggests a somewhat mixed picture for top end sales.

As a smaller segment of the overall market, data from a single month can be misleading in this market. Looking at the first two months of the year, the £5m+ price band appears a little weaker than the same point a year ago, with new instructions and price reductions increasing faster than transaction volumes and causing the available stock for sale to grow. There are 26% more £5m+ homes on the market across prime London than a year ago.

The longer-term context shows activity in 2024 to date is significantly higher than pre-pandemic levels. Sales are up more than 40% compared to the 2017-2019 average for the same months. By contrast, for the wider market this metric shows no change.

Measures of £5m+ Market Activity, Jan-Feb 2024



● Compared to Jan-Feb 2017-19 average ● Compared to Jan-Feb 2023

Source: LonRes

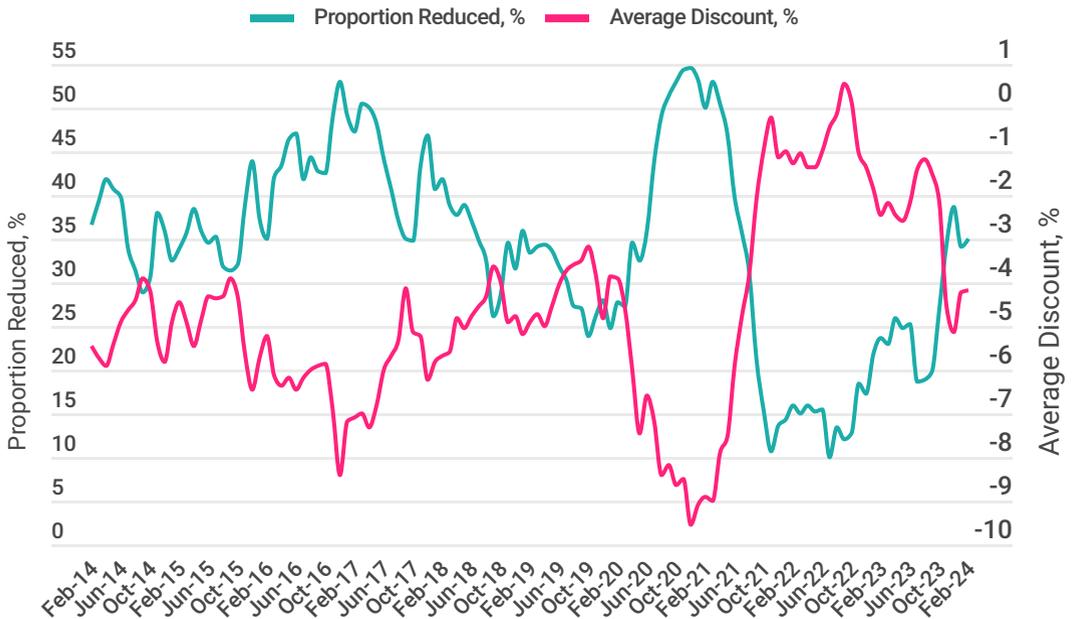
Prime London lettings market showing signs of stability

February saw significant improvements in activity across the prime London lettings market, and annual rental growth also increased slightly after four months of falls. The number of newly agreed lets in February increased by 14.2% compared to a year earlier and was 48.7% below the pre-pandemic (2017-2019) February average. New instructions rose last month by 17.6% on an annual basis, but the figure remained 42.0% below the average 2017-2019 February level. Across prime London there were 48.1% more properties on the market to let at the end of February than a year earlier, but that figure is 25.3% lower than at the end of February 2020.

Annual rental growth across prime London rose slightly in February, to 3.4%, taking values to 26.7% above their 2017-19 (pre-pandemic) average. After four months of falling growth it will be interesting to see if rents stabilise as we move through the year.

Data on discounts and reductions suggest that more balance is returning to the lettings market. The all-time lows for both discounts and price reductions were recorded in Q3 2022, indicating demand significantly outpacing supply. Since then, these metrics have fallen back closer to pre-pandemic levels. The average discount in February was 4.2%, compared to the low of -0.5% (i.e. a premium to asking rent) in September 2022. And 35.1% of properties were reduced before being let, compared to the low of 10.1% in July 2022.

Discounts and Price Reductions, All Prime London Lettings



Source: LonRes

Analysis of LonRes data for this Monthly Briefing has been carried out by Nick Gregori, Head of Research at LonRes. This Prime London Market Briefing uses data up to 29 February 2024.

**Prime London analysis includes properties within the following postcodes:*